

Property Tax Payments, 2002-2003

- Wabash County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

*State Tax Credits Increased in
Wabash County from \$5.7
Million in 2002 to \$9.7 Million in
2003.*

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Wabash County, state tax credits

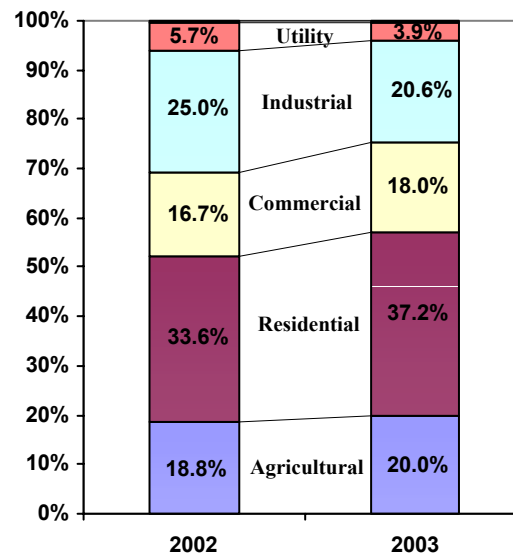
Table 1. Changes in AV and Tax Bills by Property Class for Wabash County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	86.6%	77.3%	3.3%
Residential (All)	107.4%	75.2%	7.1%
Homestead Only	112.5%	70.5%	2.4%
Commercial	56.2%	54.9%	4.3%
Industrial	10.5%	8.4%	-20.2%
Utility	-10.4%	-10.4%	-33.1%
Avg. All Classes	70.3%	53.3%	-3.2%

increased from \$5.7 million to \$9.7 million, an increase of \$4.0 million. This paper provides a brief summary of how these factors changed property tax liabilities in Wabash County.

Tax Shifts. Wabash County saw a property tax shift from industrial and utility to residential, commercial, and agricultural property owners. Tax bills paid by residential, commercial, and agricultural property owners increased, while tax bills paid by industrial and utility property owners decreased (see Table 1). [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The reason for these shifts between classes of property was that the total of real plus personal property assessed values (AV) of residential, commercial, and agricultural property increased more than the assessed values of industrial and utility property. Gross assessed values of residential property doubled. Agricultural and commercial AV rose substantially. Industrial assessments rose much less, and

Figure 1. Share of Net Property Tax Billings in Wabash County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

utility assessments actually declined. These figures include the effects of new construction, demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential homesteads in Wabash County saw their tax bills increase by a smaller amount than the average residential property increase. Agricultural homestead property taxes actually decreased. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased much more than for homestead property. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Wabash County, more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, almost two-thirds of homestead owners saw decreases rather than increases.

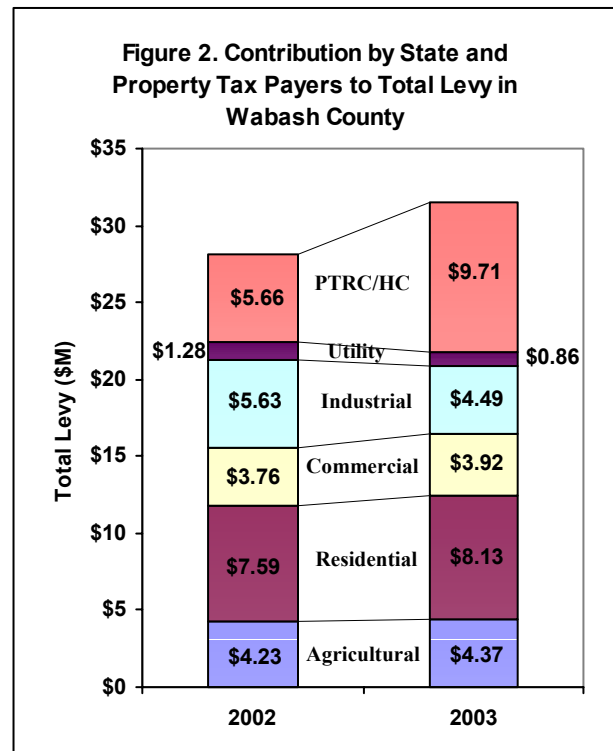
Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Wabash County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	52.9%	35.0%	42.4%	22.0%
Decreased	47.1%	65.0%	57.6%	78.0%
Increased 100% or More	11.1%	2.5%	8.1%	1.7%
Decreased 25% or More	17%	23.4%	27.3%	38.5%
Average Change (\$)	\$27	-\$47	-\$34	-\$113
Average Change (%)	4.8%	-6.8%	-6.1%	-16.4%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, less than half of all residential property owners would have seen tax increases, and more than half would have seen tax decreases. For homesteads, more than three-quarters would have seen tax decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of many more homeowners than they increased.

Agriculture. Taxes on agricultural property in Wabash County rose slightly. Overall, agricultural business taxes rose while agricultural homestead taxes decreased. The net assessed value on non-homestead agricultural real property more than doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.

Business. Taxes on industrial and utility property fell in Wabash County because assessed values rose much less



than residential, commercial, and agricultural assessments. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased industrial and utility assessments less. The general rise in assessed values in Wabash County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like industries and utilities.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Wabash County by PTRC and state homestead credit payments increased by approximately 71.4%, from \$5.7 million to \$9.7 million.

Table 3 shows estimates of how Wabash County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential and agricultural property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of these tax increases. Wabash County residential property taxes still increased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was not fully offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for increasing the tax cuts received by commercial property. The percentage changes in the "With Restructuring" column of Table 3 correspond to the changes in the net levies in Figure 2.

Table 3. Effect of Tax Restructuring on Tax Bills by Property Type in Wabash County, 2002-2003.			
Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	19.9%	3.3%	-16.6%
Residential (All)	55.2%	7.1%	-48.2%
Homestead Only	70.4%	2.4%	-68.0%
Commercial	5.9%	4.3%	-1.6%
Industrial	-22.3%	-20.2%	2.1%
Utility	-42.2%	-33.1%	9.1%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Wabash County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	745,023,560	184,404,575	399,287,481	317,924,420	91,756,798	65,002,707	2,933,265
Real Deductions	86,356,546	8,019,539	77,512,838	77,512,838	768,101	13,765	0
Real Net Assessed Value	658,667,014	176,385,036	321,774,643	240,411,582	90,988,697	64,988,942	2,933,265
Personal Gross Assd. Value	267,989,805	29,550,070	3,932,130	0	43,145,233	142,258,712	49,103,660
Personal Deductions	6,121,680	0	27,570	0	0	6,094,110	0
Personal Net Assd. Value	261,868,125	29,550,070	3,904,560	0	43,145,233	136,164,602	49,103,660
Total Gross Assessed Value	1,013,013,365	213,954,645	403,219,611	317,924,420	134,902,031	207,261,419	52,036,925
Total Deductions	92,478,226	8,019,539	77,540,408	77,512,838	768,101	6,107,875	0
Total Net Assessed Value	920,535,139	205,935,106	325,679,203	240,411,582	134,133,930	201,153,544	52,036,925
Gross Levy	28,143,628	5,087,885	9,986,411	7,278,969	4,578,433	6,882,813	1,547,608
PTRC (Calculated)	4,836,109	774,157	1,717,072	1,248,423	818,691	1,251,682	264,334
State/County Homestead Cr. (Calculated)	763,292	82,883	680,409	680,409	0	0	0
Net Levy	22,544,226	4,230,845	7,588,930	5,350,137	3,759,741	5,631,132	1,283,274
Pay 2003							
Real Gross Assessed Value	1,446,731,330	366,692,275	832,828,154	675,651,693	162,289,285	78,225,835	3,535,735
Real Deductions	308,182,857	33,978,362	265,726,842	265,726,842	2,924,297	5,337,100	0
Real Net Assessed Value	1,138,548,473	332,713,913	567,101,312	409,924,851	159,364,988	72,888,735	3,535,735
Personal Gross Assd. Value	278,377,180	32,507,460	3,647,800	0	48,399,430	150,737,850	43,084,640
Personal Deductions	5,677,550	0	23,730	0	0	5,653,820	0
Personal Net Assd. Value	272,699,630	32,507,460	3,624,070	0	48,399,430	145,084,030	43,084,640
Total Gross Assessed Value	1,725,108,510	399,199,735	836,475,954	675,651,693	210,688,715	228,963,685	46,620,375
Total Deductions	313,860,407	33,978,362	265,750,572	265,726,842	2,924,297	10,990,920	0
Total Net Assessed Value	1,411,248,103	365,221,373	570,725,382	409,924,851	207,764,418	217,972,765	46,620,375
Gross Levy	31,503,407	6,453,693	12,930,598	9,134,857	5,334,666	5,650,308	1,056,676
PTRC (Calculated)	8,727,131	1,993,814	3,940,556	2,791,512	1,414,744	1,158,060	198,362
State/County Homestead Cr. (Calculated)	952,676	87,772	864,905	864,905	0	0	0
Net Levy	21,823,599	4,372,107	8,125,137	5,478,440	3,919,923	4,492,249	858,314

COMPARISONS

Net Levy Percent Change	-3.2%	3.3%	7.1%	2.4%	4.3%	-20.2%	-33.1%
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Contributions to Tax Bill Changes, 2002-2003

Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	94.2%	98.9%	108.6%	112.5%	76.9%	20.3%	20.5%
Gross Personal AV	3.9%	10.0%	-7.2%	0.0%	12.2%	6.0%	-12.3%
Total Gross Assessed Value	70.3%	86.6%	107.4%	112.5%	56.2%	10.5%	-10.4%
Net Assessed Value	53.3%	77.3%	75.2%	70.5%	54.9%	8.4%	-10.4%
Gross Levy	11.9%	26.8%	29.5%	25.5%	16.5%	-17.9%	-31.7%
Net Levy	-3.2%	3.3%	7.1%	2.4%	4.3%	-20.2%	-33.1%

Actual State Credits, 2002 and 2003

	2002	2003	Change	Change%
PTRC (Abstract)	4,838,605	8,728,270	3,889,665	80.4%
State Homestead Cr. (Abstract)	826,281	981,304	155,023	18.8%
Total State Credits (Abstract)	5,664,885	9,709,573	4,044,688	71.4%

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Wabash County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	4,230,845	4,372,107	141,262	3.3%	18.8%	20.0%	1.3%
Residential	7,588,930	8,125,137	536,207	7.1%	33.6%	37.2%	3.6%
Commercial	3,759,741	3,919,923	160,182	4.3%	16.7%	18.0%	1.3%
Industrial	5,631,132	4,492,249	-1,138,883	-20.2%	25.0%	20.6%	-4.4%
Utility	1,283,274	858,314	-424,960	-33.1%	5.7%	3.9%	-1.8%
Exempt	11,606	1,662	-9,944	-85.7%	0.1%	0.0%	0.0%
Undefined	50,304	55,869	5,565	11.1%	0.2%	0.3%	0.0%
Total	22,555,832	21,825,261	-730,571	-3.2%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	3,600,348	3,912,005	311,657	8.7%	16.0%	17.9%	2.0%
Residential	7,499,514	8,076,488	576,974	7.7%	33.2%	37.0%	3.8%
Commercial	2,559,193	2,891,318	332,125	13.0%	11.3%	13.2%	1.9%
Industrial	1,857,770	1,328,318	-529,452	-28.5%	8.2%	6.1%	-2.2%
Utility	80,563	60,796	-19,767	-24.5%	0.4%	0.3%	-0.1%
Exempt	11,606	1,662	-9,944	-85.7%	0.1%	0.0%	0.0%
Undefined	50,304	55,869	5,565	11.1%	0.2%	0.3%	0.0%
Total	15,659,298	16,326,456	667,158	4.3%	69.4%	74.8%	5.4%
Agricultural Homesteads	1,540,736	1,514,581	-26,155	-1.7%	6.8%	6.9%	0.1%
Residential Homesteads	5,350,137	5,478,440	128,303	2.4%	23.7%	25.1%	1.4%
Total Homesteads	6,890,873	6,993,021	102,148	1.5%	30.6%	32.0%	1.5%
Non-Homestead Residential	2,149,376	2,598,048	448,672	20.9%	9.5%	11.9%	2.4%
Apartments (Over 4 Units)	326,064	411,825	85,761	26.3%	1.4%	1.9%	0.4%
<u>Personal Property Only</u>							
Agricultural	630,497	460,102	-170,395	-27.0%	2.8%	2.1%	-0.7%
Residential	89,416	48,649	-40,767	-45.6%	0.4%	0.2%	-0.2%
Commercial	1,200,549	1,028,605	-171,944	-14.3%	5.3%	4.7%	-0.6%
Industrial	3,773,361	3,163,931	-609,430	-16.2%	16.7%	14.5%	-2.2%
Utility	1,202,711	797,519	-405,192	-33.7%	5.3%	3.7%	-1.7%
Total	6,896,534	5,498,806	-1,397,728	-20.3%	30.6%	25.2%	-5.4%
Total Depreciables	4,547,310	3,699,047	-848,263	-18.7%	20.2%	16.9%	-3.2%
Total Inventory	2,259,809	1,751,109	-508,700	-22.5%	10.0%	8.0%	-2.0%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	2,059,612	2,397,425	337,813	16.4%	9.1%	11.0%	1.9%
Ag Personal	630,497	460,102	-170,395	-27.0%	2.8%	2.1%	-0.7%
Total Ag Business	2,690,109	2,857,527	167,418	6.2%	11.9%	13.1%	1.2%
Ag Homesteads	1,540,736	1,514,581	-26,155	-1.7%	6.8%	6.9%	0.1%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Wabash County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	205,935,106	365,221,373	159,286,267	77.3%	22.4%	25.9%	3.5%
Residential	325,679,203	570,725,382	245,046,179	75.2%	35.4%	40.4%	5.1%
Commercial	134,133,930	207,764,418	73,630,488	54.9%	14.6%	14.7%	0.2%
Industrial	201,153,544	217,972,765	16,819,221	8.4%	21.8%	15.4%	-6.4%
Utility	52,036,925	46,620,375	-5,416,550	-10.4%	5.7%	3.3%	-2.3%
Exempt	392,010	111,400	-280,610	-71.6%	0.0%	0.0%	0.0%
Undefined	1,596,430	2,943,790	1,347,360	84.4%	0.2%	0.2%	0.0%
Total	920,927,148	1,411,359,503	490,432,355	53.3%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	176,385,036	332,713,913	156,328,877	88.6%	19.2%	23.6%	4.4%
Residential	321,774,643	567,101,312	245,326,669	76.2%	34.9%	40.2%	5.2%
Commercial	90,988,697	159,364,988	68,376,291	75.1%	9.9%	11.3%	1.4%
Industrial	64,988,942	72,888,735	7,899,793	12.2%	7.1%	5.2%	-1.9%
Utility	2,933,265	3,535,735	602,470	20.5%	0.3%	0.3%	-0.1%
Exempt	392,010	111,400	-280,610	-71.6%	0.0%	0.0%	0.0%
Undefined	1,596,430	2,943,790	1,347,360	84.4%	0.2%	0.2%	0.0%
Total	659,059,023	1,138,659,873	479,600,850	72.8%	71.6%	80.7%	9.1%
Agricultural Homesteads	78,083,359	133,640,191	55,556,832	71.2%	8.5%	9.5%	1.0%
Residential Homesteads	240,411,582	409,924,851	169,513,269	70.5%	26.1%	29.0%	2.9%
Total Homesteads	318,494,941	543,565,042	225,070,101	70.7%	34.6%	38.5%	3.9%
Non-Homestead Residential	81,363,061	157,176,460	75,813,399	93.2%	8.8%	11.1%	2.3%
Apartments (Over 4 Units)	11,140,252	21,424,891	10,284,639	92.3%	1.2%	1.5%	0.3%
<u>Personal Property Only</u>							
Agricultural	29,550,070	32,507,460	2,957,390	10.0%	3.2%	2.3%	-0.9%
Residential	3,904,560	3,624,070	-280,490	-7.2%	0.4%	0.3%	-0.2%
Commercial	43,145,233	48,399,430	5,254,197	12.2%	4.7%	3.4%	-1.3%
Industrial	136,164,602	145,084,030	8,919,428	6.6%	14.8%	10.3%	-4.5%
Utility	49,103,660	43,084,640	-6,019,020	-12.3%	5.3%	3.1%	-2.3%
Total	261,868,125	272,699,630	10,831,505	4.1%	28.4%	19.3%	-9.1%
Total Depreciables	174,608,282	184,483,310	9,875,028	5.7%	19.0%	13.1%	-5.9%
Total Inventory	83,355,283	84,592,250	1,236,967	1.5%	9.1%	6.0%	-3.1%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	98,301,678	199,073,722	100,772,044	102.5%	10.7%	14.1%	3.4%
Ag Personal	29,550,070	32,507,460	2,957,390	10.0%	3.2%	2.3%	-0.9%
Total Ag Business	127,851,748	231,581,182	103,729,434	81.1%	13.9%	16.4%	2.5%
Ag Homesteads	78,083,359	133,640,191	55,556,832	71.2%	8.5%	9.5%	1.0%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Wabash County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	116%	78%	8%	-3%
Comparable Residential Real Prop.	109%	71%	5%	-6%
Comparable Homesteads	108%	57%	-7%	-16%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	193	1.5%	53	0.6%	151	1.2%	45	0.5%
200%	to 300%	209	1.6%	28	0.3%	123	0.9%	18	0.2%
100%	to 200%	1,052	8.0%	131	1.6%	782	6.0%	81	1.0%
50%	to 100%	1,526	11.7%	334	4.1%	1,143	8.7%	184	2.2%
25%	to 50%	1,492	11.4%	586	7.2%	1,234	9.4%	383	4.7%
10%	to 25%	1,263	9.7%	793	9.7%	1,140	8.7%	493	6.0%
5%	to 10%	518	4.0%	398	4.9%	451	3.4%	245	3.0%
0	to 5%	664	5.1%	546	6.7%	519	4.0%	353	4.3%
0	to -5%	905	6.9%	612	7.5%	767	5.9%	443	5.4%
-5%	to -10%	768	5.9%	690	8.4%	692	5.3%	565	6.9%
-10%	to -25%	2,262	17.3%	2,105	25.7%	2,498	19.1%	2,233	27.3%
-25%	to -50%	1,734	13.3%	1,624	19.8%	2,868	21.9%	2,653	32.4%
Below	-50%	490	3.7%	292	3.6%	708	5.4%	496	6.1%
		13,076	100.0%	8,192	100.0%	13,076	100.0%	8,192	100.0%
Parcels With Increases		6,917	52.9%	2,869	35.0%	5,543	42.4%	1,802	22.0%
Parcels With Reductions		6,159	47.1%	5,323	65.0%	7,533	57.6%	6,390	78.0%
Average \$ Change		\$27		-\$47		-\$34		-\$113	
Average % Change		4.8%		-6.8%		-6.1%		-16.4%	

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

Prepared by Legislative Services Agency, June 2005.